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SUBJECT: MOTTLEYNOMICS - THE RETURN OF THE STATE?

Classified By: DCM Mary Ellen T. Gilroy for reasons 1.4 (b) and (d).

11. (C) Summary: Barbados Deputy Prime Minister Mia Mottley recently announced a plan for massive government investment in the ailing furniture and garment industries. She touted the idea as a way to reduce Barbados' persistent trade deficit and slow the outflow of foreign exchange. Her proposal, made at a conference on industrial development, attracted universal criticism from other conference participants and represented a radical departure from Prime Minister Owen Arthur's policies of encouraging private investment and divesting state enterprises. This apparent divergence on economic policy may create a divide between Arthur and Mottley, his heir apparent as the ruling Barbados Labour Party (BLP) leader. In the unlikely event that Mottley's policies were to prevail, Barbados could be stuck with inefficient and uncompetitive state manufacturing enterprises that would increase the already high national debt and become a drain on government resources. End Summary.

12. (SBU) Barbados Deputy Prime Minister and Minister of Economic Development Mia Amor Mottley delivered the feature address at a May 31 conference celebrating the fiftieth anniversary of the Barbados Investment and Development Corporation (BIDC). In a clever and eloquent address, she highlighted the history of the furniture and garment industries in Barbados, tying them to slavery and colonialism and exalting the creativity of local designers. Uttering phrases evoking nationalism and emotional attachment to the past, she presented an unlikely vision of world-class furniture and garments coming out of Barbados. Criticizing the unwillingness of private capital to invest in these two industries, she said the Government of Barbados (GOB) must take an "entrepreneurial role" in Barbados' industrial development, meaning the GOB should invest heavily in the furniture and garment industries and run the industries in a public/private partnership. (Note: Private capital has probably stayed away because there is little hope of making a profit from manufacturing furniture and garments in Barbados. The country has some of the highest wages in CARICOM and would have to import the necessary raw materials for these industries (lumber and fabric). End Note.)

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Bio Note on Mottley  
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13. (C) Mottley easily dominates any gathering with her commanding physical presence, razor-sharp mind, and eloquent speech delivered in a distinctive contralto voice. She demonstrated her leadership skills when she quickly organized the police and military to restore order after inmates rioted and burned down the country's only prison in March 2005. Mottley was the youngest ever lawyer in Barbados to attain

the rank of Queen's Counsel, and has been in the leadership of the ruling Barbados Labour Party for over a decade. Her competence has given way to arrogance at times, and she has been known to walk out of negotiations and assume knowledge of subjects in which she has little expertise, such as business and economic policy. Many observers viewed PM Arthur's decision to move her from Attorney General to Minister of Economic Development in the February cabinet shuffle as a way to round out her skills in preparation for a run for Prime Minister.

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A Real Problem - A Bad Solution  
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14. (C) As a small, import-dependent island with a fixed currency and minimal exports, Barbados has a structural trade deficit and a foreign exchange problem. Rising standards of living coupled with easier access to credit have increased demand for imports, thus making the country a victim of its own economic success. Except for a financial crisis in the early 1990's, Barbados has managed to earn enough foreign exchange from tourism, other service exports, and investment to maintain its reserves at a sustainable level. GOB efforts to right this trade imbalance had previously focused on encouraging exports through private investment. This new "Mottleynomics" of state investment in manufacturing could drive up the country's already-high debt while creating two more inefficient state-run albatrosses similar to the sugar industry.

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Instant Criticism  
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15. (SBU) As Ministers tend to do when attending conferences in Barbados, Mottley entered the conference room, gave her speech, and left immediately. Subsequent presenters indirectly rebutted her assertions by focusing on the need for private investment and for the country to produce what it has a competitive advantage in producing. Michael Howard, a professor at the University of the West Indies, made the most direct criticism of Mottleynomics. Arguing that furniture and garments are the "way of the past," he stated that Barbados could not compete with Trinidad in manufacturing. Howard's remark drew titters of knowing laughter from the assembled audience of business leaders.

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Comment  
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16. (C) Mottley was a relatively competent if disorganized Attorney General, but she seems truly out of place as Minister of Economic Development. Lacking experience and training in business and economics, Mottley has refused to consult with business leaders in Barbados and has apparently embraced discredited statist import substitution policies. The obvious divergence in approach between the Deputy Prime Minister/Minister of Economic Development and her mentor, PM Arthur, may signal a divide in the BLP over economic policy. Because it seems highly improbable that Mottley can persuade the PM, a forward-leaning economist, to support GOB investment in the furniture and garment industries, her backward-looking proposal is likely to be short-lived.  
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